

ORIGINAL

Decision No. 69913

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
))
HERBERT M. WATSON dba)
WATSON RADIO DISPATCH SERVICE)
(KMA617))
))
for authority to sell and transfer)
and for REDWOOD RADIO TELEPHONE)
CORPORATION, a California corpo-)
ration, to purchase and acquire the)
Certificate of Public Convenience)
and Necessity authoring radio-)
telephone common carrier public)
utility service and related)
property, and for REDWOOD RADIO)
TELEPHONE CORPORATION to issue)
securities.)

Application No. 47962
Filed October 8, 1965

O P I N I O N

This is an application for an order of the Commission authorizing Herbert M. Watson to sell and transfer his radio-telephone assets and business to Redwood Radio Telephone Corporation and authorizing the latter to issue and sell 35,000 shares of its \$1 par value common stock.

Herbert M. Watson, doing business as Watson Radio Dispatch Service, operates as a radiotelephone utility in the San Francisco Bay area pursuant to authority granted by Decision No. 62156, dated June 20, 1961, in Case No. 6945. For the year 1964, he reported total revenues and net income of \$23,410 and \$2,029, respectively, from domestic public land mobile radio service.

Redwood Radio Telephone Corporation is a California corporation organized on or about June 8, 1964. It conducts a mobile communications service in the Santa Rosa area pursuant to authority granted by Decision No. 68254, dated November 24, 1964, as amended by Decision No. 68644, dated February 24, 1965, in Application No. 46721. The corporation seeks authority to issue 10,000 shares of its \$1 par value common stock in exchange for \$100,000 cash to be used for the purchase from Herbert M. Watson of physical equipment and intangible assets to which it assigns values of \$10,000 and \$90,000, respectively. The intangible assets include a five-year covenant not to compete. As an alternative, in the event that the Commission deems the foregoing unacceptable, Redwood Radio Telephone Corporation seeks authority to issue said 10,000 shares, at par, in exchange for \$10,000 cash to be used for the purchase of equipment, and Daniel W. Cochran, the corporation's sole shareholder, will donate the sum of \$90,000 to the company as contributed capital to be used for the purchase of said intangible assets. Also, the corporation seeks authority to issue 25,000 shares of its common stock in exchange for \$25,000 cash to be used for the purchase of additional equipment.

As justification for the proposed transactions, applicants state that the consolidation of their operations will result in efficiencies and economies which would not otherwise be available and that such efficiencies will evolve from the benefits of unified management and other personnel and collective purchasing power which will become available to the corporation.

Moreover, applicants allege that from the standpoint of the public a single integrated and cooperative service will be made available throughout the expanded territory, which will allow a member of the public to obtain mobile radio communications services throughout the areas served by each applicant.

The Commission has considered this matter and finds that: (1) the application does not support an authorization for the expenditure of stock proceeds for intangible property; (2) the proposed transfer will not be adverse to the public interest; (3) the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein; and (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted in accordance with the alternative for selling all the proposed stock at par. A public hearing is not necessary.

In issuing our order herein, we place Redwood Radio Telephone Corporation and its shareholder on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of the value of the company's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

The authority herein granted is subject to the following provision of law:

The Commission shall have no power to authorize the capitalization of the right to be a corporation, or the capitalization of any franchise or permit, or the right to own, operate, or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, permit, or right.

O R D E R

IT IS ORDERED that:

1. Herbert M. Watson, on or after the effective date hereof and on or before June 30, 1966, may sell, assign and transfer all assets of his radio common carrier system public utility business to Redwood Radio Telephone Corporation, in accordance with the terms and conditions contained in the Agreement executed as of September 23, 1965, a copy of which is attached to the application.

2. Redwood Radio Telephone Corporation, on or after the effective date hereof and on or before June 30, 1966, may issue and sell, at par, not to exceed 35,000 shares of its common stock for the purposes set forth in this proceeding.

3. As a condition of the authority herein granted, Redwood Radio Telephone Corporation is hereby directed to continue the public utility responsibilities of Herbert M. Watson with respect to the area served by the properties being transferred.

4. The tariffs of Herbert M. Watson now on file with this Commission shall be refiled within thirty days after the date of actual transfer under the name of Redwood Radio Telephone Corporation, in accordance with the procedure prescribed in General Order No. 96-A or, in lieu of such refiling, Redwood Radio Telephone Corporation may file a notice of adoption of said presently filed tariffs. No increase in the presently filed tariffs shall be made unless authorized by this Commission.

5. On or before the end of the third month after the consummation of the transfer as herein authorized, Redwood Radio Telephone Corporation shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report, or reports, related to the operations of the seller for the period commencing with the first day of the current year to and including the effective date of the transfer.

6. On or before the date of actual transfer of the specific properties herein authorized, Herbert M. Watson shall transfer and deliver to Redwood Radio Telephone Corporation, and the latter shall receive and preserve all records, memoranda, and papers pertaining to the construction and operation of the radiotelephone utility authorized to be transferred.

7. If the authority herein granted is exercised, Redwood Radio Telephone Corporation shall, within thirty days thereafter, notify this Commission, in writing, of the date of such completion of the property transfer herein authorized and of its compliance with the conditions hereof.

8. Upon compliance with the above ordering paragraphs, Herbert M. Watson is hereby relieved of his public utility responsibilities with respect to the property being transferred coincident with the full assumption of such responsibilities by Redwood Radio Telephone Corporation.

9. Redwood Radio Telephone Corporation shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

10. The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California,
this 9th day of NOVEMBER, 1965.

Frederick B. Hoffhoff President
[Signature]
George J. Hoover
[Signature]
William L. Bennett Commissioners